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UNCLAS PARIS 001230

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E.O. 12958: N/A

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SUBJECT: FINANCE MINISTER TURNS IN RESIGNATION

¶1. SUMMARY. Intense and unabating media coverage of Finance Minister Herve Gaymard's extravagance in his choice of taxpayer provided housing, and his lying about his financial situation, has prompted him to turn in his resignation on February 25. Despite his efforts to focus attention on GOF economic policy in the run-up to presidential elections in 2007, the scandal ultimately destroyed his credibility. END SUMMARY.

¶2. Finance Minister Herve Gaymard made headlines recently, but not for anything substantive. Instead, local papers questioned his judgment and credibility in an affair involving his choice of lodging. Ministers in France are entitled to have lodging provided to them at government expense, if they lack housing in Paris. Gaymard's large family complicated his situation (he has 8 school-age children and his wife is head of France's investment promotion agency, doubling his representational needs). His junior Ministers already occupied the suites provided within the Ministry. So, Gaymard's wife picked out a very nice apartment on the local market - unfortunately too nice. The apartment captured media attention both for its size, 600 square meters on two floors, and its cost, 14,000 euros a month, not including renovation costs initially claimed to total over 150,000 euros.

¶3. Gaymard made things worse when he initially defended his choice, saying that he was a middle-class bureaucrat, the son of a shoemaker, with no real estate of his own. In fact, Gaymard not only has an apartment in Paris, which is rented out to a friend, he has two other apartments plus two houses outside Paris. His Ministry issued three separate press releases explaining his situation, but the stream of revelations prompted the Socialist opposition to clamor for his resignation, arguing that the untruths and personal financial irresponsibility sapped Gaymard's credibility.

COMMENT

¶4. Gaymard's resignation puts what was a bright political future in shadow. In addition, it undercuts whatever chance he may have had to win support for the economic reforms he had proposed (septel). It is up to President Chirac to decide whether to accept the resignation (and begin the selection process for a successor, not necessarily an easy task). To avoid unneeded distraction on the upcoming highly contested referendum on the European constitution, and the 2007 French presidential elections, the least difficult path is to choose a bland substitute. In the meantime, the press is sure to investigate the living arrangements of the other members of Chirac's government.

WOLFF